

**CHAPTER NO. 688**

**SENATE BILL NO. 2524**

**By Fowler**

**Substituted for: House Bill No. 2924**

**By Head, Ulysses Jones, Vincent**

AN ACT to amend Tennessee Code Annotated, Title 66, Chapter 11, Part 1, relative to misapplication of contract payments.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 66-11-138, is amended by adding the following sentence:

Notwithstanding, there is no violation of this section when:

(1) Funds are disbursed pursuant to written agreement; or

(2) The use of funds received and deposited in a business account for use on multiple construction projects is based upon the allocation of costs and profits in accordance with generally accepted accounting principles for construction projects.

SECTION 2. Tennessee Code Annotated, Section 66-11-140, is amended by deleting such section in its entirety and substituting the following:


Such use of the proceeds enumerated in Sections 66-11-137 through 66-11-139 for any purpose other than either payment pursuant to written agreement between the parties or in accordance with the allocation of costs and profits under generally accepted accounting principles for construction projects shall be *prima facie* evidence of intent to defraud. Use of a single business bank account for multiple projects shall not be evidence of intent to defraud.

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.

PASSED: May 6, 2004



JOHN S. WILDER  
SPEAKER OF THE SENATE



JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

APPROVED this 18<sup>th</sup> day of May 2004



PHIL BREDEBEN, GOVERNOR